

RECEIVED
JAN 11 1913
LIBRARY
OF THE
DISTRICT COURT
OF THE
EASTERN DISTRICT
OF MICHIGAN

In Equity, No. .

In the District Court of the United States for the Eastern
District of Michigan, Southern Division.

UNITED STATES OF AMERICA

v.

KRENTLER-ARNOLD HINGE LAST COMPANY AND
OTHERS.

PETITION IN EQUITY
AND
FINAL DECREE.

CLYDE I. WEBSTER,
*United States Attorney,
Eastern District of Michigan.*

GEORGE W. WICKERSHAM,
Attorney General.

JAMES A. FOWLER,
Assistant to the Attorney General.

MALCOLM A. COLES,
Special Assistant to the Attorney General.

338.81
K88dp
cop. R

LIBRARY
OF THE
UNIVERSITY OF ILLINOIS
22 MAR '13

In the District Court of the United States for the Eastern
District of Michigan, Southern Division.

THE UNITED STATES OF AMERICA,	} In equity.
Petitioner,	
v.	
KRENTLER-ARNOLD HINGE LAST COM-	
pany and others,	
Defendants.	

*To the Honorable Judge of the District Court of the
United States for the Eastern District of Michigan:*

The United States of America, by Clyde I. Webster, its attorney for the eastern district of Michigan, acting under the direction of its Attorney General, brings this proceeding in equity against the Krentler-Arnold Hinge Last Company, a corporation organized under and by virtue of the laws of the State of Michigan, having its principal office at Detroit, Michigan; Krentler Brothers Company, a corporation organized under and by virtue of the laws of the State of Michigan, having its principal office at Detroit, Michigan; the Crawford, McGregor & Canby Company, a corporation organized under and by virtue of the laws of the State of Ohio, having its principal office at Dayton, Ohio; the Rebhum Company, a corporation organized under and by virtue

of the laws of the State of Ohio, having its principal
 office at Cincinnati, Ohio; Saint Louis Last Company,
 a corporation organized under and by virtue of the
 laws of the State of Missouri, having its principal
 office at St. Louis, Missouri; Chicago Last and Die
 Company, a corporation organized under and by
 virtue of the laws of the State of Illinois, having its
 principal office at Chicago, Illinois; Boston Last
 Company, a corporation organized under and by
 virtue of the laws of the State of Maine, having its
 principal office at Boston, Massachusetts; Rochester
 Last Works, a corporation organized under and by
 virtue of the laws of the State of New York, having
 its principal office at Rochester, New York; Wood-
 ward and Wright Last Company, a corporation
 organized under and by virtue of the laws of the
 State of Massachusetts, having its principal office at
 Campello, Massachusetts; George E. Belcher Last
 Company, a corporation organized under and by
 virtue of the laws of the State of Massachusetts,
 having its principal office at Stoughton, Massachu-
 setts; Mawhinny Last Company, a corporation or-
 ganized under and by virtue of the laws of the State
 of Massachusetts, having its principal office at
 Brockton, Massachusetts; Golbert Last Company, a
 corporation organized under and by virtue of the
 laws of the State of Massachusetts, having its prin-
 cipal office at Worcester, Massachusetts; Marlboro
 Last Company, a corporation organized under and
 by virtue of the laws of the State of Massachusetts,
 having its principal place of business at Marlboro,

Massachusetts; New York Last Company, a corporation organized under and by virtue of the laws of the State of New York, having its principal office at New York City, New York; John Pell and Sons, a corporation organized under and by virtue of the laws of the State of New Jersey, having its principal office at Newark, New Jersey; Stewart and Potter Company, a corporation organized under and by virtue of the laws of the State of New York, having its principal office in New York City, New York; R. S. McNeill Company, a corporation organized under and by virtue of the laws of the State of New York, having its principal office at Brooklyn, New York; Philadelphia Last and Pattern Company, a corporation organized under and by virtue of the laws of the State of Pennsylvania, having its principal office at Philadelphia, Pennsylvania; Vulcan Box Toe Process Company, a corporation organized under and by virtue of the laws of the State of Ohio, having its principal office at Portsmouth, Ohio; Nathaniel E. Arnold and Geo. F. Atwood, residents of North Abington, Massachusetts, and doing business at said place as partners under the firm name of Arnold Brothers Company; Thomas W. Gardiner, H. K. Gardiner, and H. L. Wood, residents of Lynn, Massachusetts, and doing business at said place as partners under the firm name of Thomas W. Gardiner; Frederick Drew and Augustus A. Delano, residents of Brockton, Massachusetts, and doing business at said place under the firm name of Brockton Last Company;

George H. Van Pelt, a resident of and carrying on business in Chicago, Illinois; F. W. Stuart, a resident of and carrying on business in Beverly, Massachusetts; W. E. Bigelow, a resident of and carrying on business in Worcester, Massachusetts; C. C. Kempton, a resident of and carrying on business under the name of C. C. Kempton and Son, in Philadelphia, Pennsylvania; S. S. Redifer, a resident of and carrying on business in Philadelphia, Pennsylvania; Oscar Redifer, a resident of and carrying on business in Philadelphia, Pennsylvania; William C. Root, a resident of and carrying on business in Philadelphia, Pennsylvania; L. C. Wadleigh, a resident of and carrying on business under the name of L. C. Wadleigh and Son, at Haverhill, Massachusetts; J. H. Hovey, a resident of and carrying on business at Haverhill, Massachusetts; Edwin O. Krentler, a resident of Detroit, Michigan; William H. Crawford, a resident of Dayton, Ohio; Charles S. Dennis, a resident of Chicago, Illinois; and Fred Drew, a resident of Brockton, Massachusetts. The full names of those defendants whose initials are given in whole or in part are unknown to petitioner.

II. GROUNDS FOR JURISDICTION.

This action is brought under section 4 of the act of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies" and it is sought hereby to restrain a further violation by defendants of sections 1 and 2 of said act by combining and conspiring among themselves to

directly restrain the trade and commerce among the States in shoe and boot lasts, and also from further monopolizing said interstate trade and commerce by the methods hereinafter described. The combination and conspiracies herein attacked were entered into and are now being carried out in the Eastern District of Michigan, and the principal office of the defendant, the Krentler-Arnold Hinge Last Company, is in said district, and its business policies are there adopted and are directed therefrom.

DESCRIPTION OF BUSINESS ENGAGED IN BY
DEFENDANTS.

The defendant, Krentler-Arnold Hinge Last Company, is the owner of certain patents on what is known as hinge lasts and certain attachments thereto and also furnishes hinges and fittings for lasts to their licensees. Said company also manufactures and leases machines by the aid of which hinge lasts are manufactured. The defendants Krentler Brothers Company; the Crawford, McGregor & Canby Company; the Rebhum Last Company; Saint Louis Last Company; Chicago Last and Die Company; Boston Last Company; Rochester Last Works; Woodward and Wright Last Company; George E. Belcher Last Company; Mawhinny Last Company; Goldbert Last Company; New York Last Company; John Pell and Sons; Stewart and Potter Company; R. S. McNeill Company; Philadelphia Last and Pattern Company; Vulcan Box Toe Process Company; Arnold Brothers Company; Thomas W. Gardiner;

Brockton Last Company; Marlboro Last Company; George H. Van Pelt; F. W. Stuart; W. E. Bigelow; C. C. Kempton and Son; S. S. Redifer; Oscar Redifer; William C. Root; L. C. Wadleigh and Son; and J. H. Hovey, are each of them also engaged in the manufacture and sale of shoe and boot lasts, and each of them holds a license from the defendant Krentler-Arnold Hinge Last Company which authorizes them respectively to manufacture lasts and use attachments manufactured under the patents belonging to said Krentler-Arnold Hinge Last Company, and the authority granted by such license has been exercised by each of the licensees ever since the execution thereof. Each of said defendants manufactures, sells, and transports shoe and boot lasts in commerce between the States, and when taken together they manufacture, sell, and ship from seventy-five to eighty per cent of all shoe and boot lasts which enter into said commerce, and hence they dominate and control, so far as the price is concerned, the entire commerce in shoe and boot lasts among the States.

The defendant Edwin O. Krentler is president of the Krentler-Arnold Hinge Last Company, Krentler Brothers Company, and the Saint Louis Last Company, attends the meetings of the boards of directors of said corporations, participates in the management of the business of said companies, and is largely responsible for their business policies. He is also a member of the advisory committee of the combination of licensees of the Krentler-Arnold Hinge Last Company known as the Cary Club, which will be here-

inafter described, attends the meetings of said committee and club, and is largely responsible for its conduct.

The defendant William H. Crawford is president of The Crawford, McGregor and Canby Company, which company also owns and operates the Dayton Last Block Works, at Gaylord, Michigan, and the Clarendon Last Block Works, at Clarendon, Arkansas. He is also a vice president of the Krentler-Arnold Hinge Last Company, and a member of the advisory committee of the said Cary Club, attends the meetings of the boards of said companies and of said committee and club, and participates in the management of the affairs of each.

The defendant Charles S. Dennis is adjuster for the Krentler-Arnold Hinge Last Company licensees, maintains an office at room 619, Peoples Gas Light Building, Chicago, Illinois, wherein the business of the Cary Club is to a large extent transacted. He has been connected with the Cary Club since its organization, having largely devoted his knowledge and skill to the service of said organization in promoting its interest, as well as the interest of the Krentler-Arnold Hinge Last Company. He assisted in forming the Cary Club, has called and attended its meetings, looked after its financial business, regulated its members, and otherwise actively devoted himself to the accomplishment of the aims and purposes of said organization, has been actively interested in maintaining the same, and is largely responsible for its methods and acts.

The defendant Fred Drew is a partner with A. A. Delano in the Brockton Last Company, Brockton, Massachusetts; is the treasurer of the Saint Louis Last Company, St. Louis, Missouri; is a member of the advisory committee of the Cary Club; attends the meetings of the boards, committee, and club afore-said; and participates in the direction and management of the business thereof.

III. LICENSES ISSUED BY DEFENDANT KRENTLER-ARNOLD HINGE LAST COMPANY.

As above alleged, the defendant Krentler-Arnold Hinge Last Company is the owner of a number of patents for the manufacture of what is known as hinged lasts, and different appliances used in completing and perfecting said lasts. Instead of manufacturing lasts under its patents and excluding entirely all other manufacturers of lasts from the use of said patents, said defendant has seen proper to issue licenses to use said patents to the defendants above mentioned as licensees of said company.

The licenses issued to each of said defendants are in the same terms, and that their provisions may be fully understood a true copy of same is hereunto annexed as a part of this petition marked Exhibit A. The provisions of said licenses to which the court's attention is particularly called are:

(1) The second section thereof, which reads as follows:

(Second.) The party of the second part, in lieu of, and as the equivalent of, a specific royalty or license fee, hereby agrees to buy of

the party of the first part all the hinges and special parts used in the manufacture of said lasts, and to use no other hinges and special parts therefor; and agrees to fit all hinged lasts manufactured by it with said hinges and special parts bought of the party of the first part, and not to manufacture any other hinged lasts; *and agrees to maintain the prices of all lasts sold by the licensee, strictly in accordance with the schedule or list of prices hereto attached and forming a part of this license, the same schedule to be furnished to all licensees.* The party of the first part consents, and it is hereby mutually agreed, that the licensees under this form of license shall choose (by majority ballot of all licensees present in person or by proxy, upon duly mailed ten days' notice, each licensee having one vote) an adjuster, who shall determine any and all special or general changes in said schedule or list of prices, but said changes shall first be approved by the licensor, and the referee chosen by the licensees shall at all times be acceptable to the licensor.

Petitioner avers that the portion of the second section which is italicized constitutes an unlawful agreement between the defendant Krentler-Arnold Hinge Last Company and each of its licensees in this:

It is provided thereby that each of said licensees shall "maintain the prices of *all* lasts sold by the licensee" in accordance with the schedule of prices furnished by the licensor. Each of the licensees in fact manufactures a plain block last which is not patented, and no attachment to or appliance used with

which is patented by anybody, and about fifty per cent of the entire shoe and boot last business consists in the manufacture and sale of these unpatented block lasts. By the provision aforesaid the defendant Krentler-Arnold Hinge Last Company is enabled to fix the price, not only of the lasts which are manufactured under its patents, but also of those lasts which are entirely unpatented; and petitioner is advised that this power is actually taken advantage of, and that the licensor by the agreement and consent of the several licensees, not only as expressed in the licenses, but as evidenced by their voluntary and active co-operation, does actually fix and maintain the selling price of all lasts manufactured by said defendants. And as defendants manufacture such a per cent of all shoe and boot lasts produced in the United States as enables them in effect to control the market price of such lasts, it results that by virtue of this provision in said licenses, and the observance of same by all the defendants, the price of lasts throughout the United States is fixed and maintained by them. In fact, one of the principal objects of the execution of said license agreements and the transfer by the defendant Krentler-Arnold Hinge Last Company to its licensees of the right to manufacture lasts under its several patents was to bring about an understanding between the several last manufacturers whereby the prices of *all* lasts, patented and unpatented, could be maintained at an arbitrary price and at a higher rate than their fair value, and thus enable the said defendant Krentler-Arnold Hinge

Last Company to exact an abnormal price for their hinge lasts. This result is accomplished by the combination, because the price of the unpatented lasts is so fixed that the difference between such price and the abnormally high price of the patented last is so slight that it will justify the consumer in purchasing the hinge last rather than the unpatented last, whereas if the unpatented last were placed upon the market without the restraints resulting from the provisions of the license agreement aforesaid, a reduction of the price of the patented hinge last would be necessitated, or otherwise the consumer would purchase the unpatented lasts.

(2) Sections 6 and 7, which provide:

(a) That the licensee shall not violate or contest the validity of either of the patents mentioned in the schedule of patents, or of any part thereof, at any time during the life of *any of them*, and,

(b) That with the exceptions specified in the seventh section, the license contract "shall remain in force to the end of the terms of the *latest* patent aforesaid."

Petitioner avers that these provisions are unlawful, in that they undertake to make the provisions of the license apply to lasts or attachments manufactured under patents beyond the lives of such patents, and until the expiration of the life of a later patent.

IV. THE CARY CLUB.

The purpose of the defendants to fix the price of all kinds of lasts manufactured and to obtain from the consumer an unreasonably large profit there-

from, such a profit as it would have been impossible to obtain under the usual methods of competition, has been accomplished very largely through an organization known as the Cary Club.

The membership of said Cary Club is composed entirely of the licensees of the Krentler-Arnold Hinge Last Company, all of whom are defendants hereto, the holding of a license from said company being an essential qualification for membership in the club. This club is not known to your petitioner to maintain any offices, except that in the office of Charles S. Dennis, Chicago, Illinois, who is the adjuster of said club, appointed under the license agreements, a large part of the detail business of said club is transacted. Other matters of business, relating to the purposes and objects of said club, are transacted at meetings of the club in different parts of the country, called from time to time by notice ^{to} ~~of~~ the members thereof, sent out by its adjuster, the said Charles S. Dennis. Each member has been required to pay to said adjuster, "for the uses and purposes of the said Cary Club," one (now one-half) per cent of the total value of the sales of *all* lasts and parts, unpatented as well as patented, for each month, less five per cent discount.

The leading figures in this organization, besides Charles S. Dennis, the adjuster, are Edwin O. Krentler, William H. Crawford, Fred Drew, Thomas W. Gardiner, W. E. Bigelow, Wm. J. Weir, and C. C. Kempton, who compose an "advisory committee," and have general charge of the affairs of the club.

The primary object of this organization is to secure concert of action between the various members thereof, and especially to maintain the agreed prices designated in the schedule furnished by the Krentler-Arnold Hinge Last Company upon all lasts, both those patented and unpatented. To better accomplish this purpose the club has adopted a set of rules, disingenuously designated as "Suggestions," which appear in Exhibit B, attached hereto and made a part hereof; and general meetings attended by its members are held once or twice a year in Boston, New York City, or other places agreed upon, to discuss and agree upon ways and means of controlling the shoe-last industry, fixing and maintaining prices, and of suppressing competition and restraining trade therein.

Petitioner insists that the objects of this organization and the results accomplished thereby are of such character that its very existence constitutes a direct and continuing violation of the antitrust law, and that its dissolution should be ordered by decree of this court.

PRAYER.

In consideration whereof, and inasmuch as petitioner can only have adequate relief in the premises in this honorable court, where matters of this character are properly cognizable, your petitioner prays:

1. That the second section of the license agreements, in so far as it provides that the licensees shall maintain the prices of *all* lasts sold by them

in accordance with the schedule of prices furnished by the licensor, be declared an agreement in violation of section 1 of the antitrust law of July 2, 1890, in so far as it attempts to regulate or fix the prices of unpatented lasts and parts, and that defendants and each of them be perpetually enjoined from further observing in any respect said provision to the extent mentioned, and from hereafter agreeing or conspiring together in any way, either verbally or in writing, to fix or maintain and from maintaining or observing an agreed price upon lasts or attachments therefor which are not manufactured under a patent.

2. That sections six and seven, in so far as they attempt to make the terms of the said license agreement applicable to any lasts or attachments thereto manufactured under a patent after such letters patent shall expire, be declared violative of section 1 of the antitrust law of July 2, 1890, and that defendants and each of them be perpetually enjoined from observing the terms of said license agreement in the respect mentioned, and that they be further perpetually enjoined from hereafter agreeing or conspiring together to fix or maintain, and from maintaining or observing, an agreed price upon lasts, or attachments thereto, now manufactured under a patent, after such patent shall expire.

3. That it be adjudged that the maintenance of the Cary Club is a continuing violation of said antitrust law of July 2, 1890, and that defendants and each of them be perpetually enjoined from further maintaining said organization and from participating therein,

and from hereafter creating, maintaining, or participating in any organization of like character.

4. That petitioner be granted such other and further relief as the nature of the case may require and the court may deem proper in the premises.

To the end, therefore, that the United States of America may obtain the relief to which it is justly entitled in the premises, may it please your honor to grant writs of subpœna directed to each and every one of defendants, commanding them and each of them to appear herein and answer, but not under oath (answer under oath being hereby expressly waived), the allegations contained in the foregoing petition and abide by and perform such order and decree as the court may make in the premises, and upon hearing hereof to permanently enjoin the defendants as hereinbefore prayed.

CLYDE I. WEBSTER,

*United States Attorney,
Eastern District of Michigan.*

GEORGE W. WICKERSHAM,

Attorney General.

JAMES A. FOWLER,

Assistant to the Attorney General.

MALCOLM A. COLES,

Special Assistant to the Attorney General.

EXHIBIT A.

(Sample of license and agreement between the Krentler-Arnold Hinge Last Co. and members of the Cary Club.)

A.

LICENSE No. 74.

This license and agreement, made this thirty-first day of December, A. D. 1906, between the Krentler-Arnold Hinge Last Company, a corporation existing under the laws of West Virginia (now Michigan), and having its principal place of business at Detroit, Michigan, licensor and party of the first part, and T. C. Duffey & Co., a copartnership consisting of Thos. C. Duffey and Ernest F. Bell, of Beverly, county of Essex, State of Massachusetts, licensee and party of the second part:

Witnesseth, whereas the party of the first part is the owner, among other letters patent of the United States, of the following—

SCHEDULE OF PATENTS.

No. 590873, patented September 28, 1897;
No. 607978, patented July 26, 1898;
No. 608006, patented July 26, 1898;
No. 628238, patented July 4, 1899;
No. 645906, patented March 20, 1900;
No. 673889, patented May 14, 1901;
No. 716511, patented December 23, 1902;
No. 726755, patented April 28, 1903;
No. 731389, patented June 16, 1903;
No. 731390, patented June 16, 1903;

and is the owner of certain special machines and outfits for use in the manufacture of its patented lasts;

And whereas the party of the second part is desirous of manufacturing lasts containing and embodying said patented improvements, or parts thereof, and of selling said lasts and entering into contractual relations with the party of the first part, as herein provided:

Now, therefore, the parties hereto, for good and valuable consideration, receipt whereof is hereby acknowledged, and in consideration of the mutual covenants herein contained, have agreed and do agree as follows:

First. The party of the first part, in consideration of the covenant and conditions hereinafter contained on the part of the licensee to be kept and performed, hereby licenses the party of the second part under the above-enumerated patents, this license being restricted to the following rights:

(a) To manufacture, subject to the conditions hereinafter named, at their factory, in Beverly, and in no other place, lasts containing the patented improvements in the following patents: No. 607978 of July 26, 1898; No. 608006 of July 26, 1898; No. 628238 of July 4, 1899; No. 645906 of March 20, 1900; No. 673889 of May 14, 1901; No. 731390 of June 16, 1903;

(b) And to use in said lasts the hinges contained in the aforesaid hinge patents;

(c) And to sell said lasts solely within the United States to shoe manufacturers and shoe dealers, for use by said manufacturers and dealers in their factories and stores, and not otherwise;

(d) And similarly, when at any time special written permission may be granted therefor, and not otherwise, to use in the manufacture of lasts the last accessories of said other patents, and to sell said lasts so manufactured, and to manufacture and sell the lasts of said other last patents.

And agrees to lease to said licensee, and agrees to license said licensee to use, so long only as this license remains in force, in their said factory at Beverly, Mass., one machine or outfit for the manufacture of said patented lasts, and for no other use, it being expressly agreed that the ownership and property rights in said machine or outfit, so leased, remain in the party of the first part, the licensor.

Second. The party of the second part, in lieu of, and as the equivalent of, a specific royalty or license fee, hereby agrees to buy of the party of the first part all the hinges and special parts used in the manufacture of said lasts, and to use no other hinges and special parts therefor, and agrees to fit all hinged lasts manufactured by it with said hinges and special parts bought of the party of the first part, and not to manufacture any other hinged lasts; *and agrees to maintain the prices of all lasts sold by the licensee, strictly in accordance with the schedule or list of prices hereto attached, and forming a part of this license, the same schedule to be furnished to all licensees.* The party of the first part consents, and it is hereby mutually agreed, that the licensees under this form of license shall choose (by majority ballot of all licensees present in person or by proxy, upon duly mailed ten days' notice, each licensee having one vote) an adjuster, who shall determine any and all special or general changes in said schedule or list of prices, but said changes shall first be approved by the licensor,

and the referee chosen by the licensees shall at all times be acceptable to the licensor.

Third. The party of the first part agrees to keep in stock, and to furnish with reasonable promptness to the licensee, hinges and special parts and accessories required for making lasts as called for by this license, and agrees to furnish to the licensee, subject to the terms of this license, such machines or outfits as it may provide in connection with the last business under the aforesaid patents, and at a reasonable price, the licensee hereby agreeing to maintain said machines or outfits in good working order and to return the same in first-class condition.

Fourth. The party of the second part agrees to stamp its name plainly, in usual manner, on each last made under this license, and to mark each last "Patented," using brands to be furnished by the party of the first part; and it is expressly understood that the words "hinged lasts," as used in this license, shall include all kinds, whether called first lasts, second lasts, followers, fillers, or shoe forms.

Fifth. The party of the second part agrees to keep true and correct books of account, showing in detail all lasts made by it under this license, with the names of all purchasers and numbers and dates of each sale, said books to be open at all reasonable times to the inspection of the party of the first part or its duly authorized representative; and agrees to render, if requested, verified statements from said books to the party of the first part.

Sixth. The party of the second part hereby covenants and agrees, as further consideration for this license, that it will in no way violate or contest the validity of the patents contained in the first-mentioned "Schedule of patents," or of either of them, or any

part thereof, at any time during the life of said patents *or any of them*, or question in any way the title of the party of the first part in and to said patents; and hereby expressly admits the validity and the sufficiency of the said letters patent, and of each of them. This license does not operate to revoke in any way the sixth paragraph (corresponding to this paragraph) of the preceding license agreement between the parties hereto.

Seventh. This license is personal to the party of the second part and to its employees, and in its said factory at Beverly, Mass., and not otherwise, and is nonassignable by said licensee; but in case the party of the first part should sell or transfer the business, or any part thereof, the party of the first part may assign this license or such part thereof; and it is revocable by the party of the first part upon sixty days' written notice, without, however, relinquishment of any indebtedness of the licensee or claims of the licensor, or of any of the continuing covenants of the preceding paragraph; *otherwise it shall remain in force to the end of the term of the latest patent aforesaid.*

In witness whereof the parties hereto have hereunto in duplicate set their hands and seals.

T. C. DUFFEY & Co.,

Per T. C. DUFFEY.

KRENTLER-ARNOLD HINGE LAST CO.,

Per E. O. KRENTLER, *President.*

(Krentler-Arnold Hinge

[SEAL]

Last Co., Detroit, Mich.)

EXHIBIT B.

(Rules or "Suggestions" for the government of members of the Cary Club.)

Item 1: Price list. Issue individual lists following copy furnished by licensors. Any suggestions for changes to be submitted to the adjuster.

Item 2: Terms. 5% discount for cash the 10th of the month for bills of the previous month. No extra "dating" on which cash discount applies.

Item 3: Foreign trade. Canada, 50% discount, 5% for cash, f. o. b. point of shipment—no commission to agents. Other foreign countries: 50%, 5% for cash, freight paid to all shipping ports—agents to be given 10% commission.

Item 4: Sales between members. To be made at prices agreed upon by such members. Members selling to shoe manufacturers to make monthly report and payment.

Item 5: Outside interests. No member to have any interest with any firm or corporation outside of the club.

Item 6: Inquiry and investigation. All facts and suspicions to be reported to the adjuster in writing, and his decision to be followed.

Item 7: Subterfuge. No rebates or allowances or presents of any kind, nor any other methods which can be construed as unfair.

Item 8: Privileges. Request for any privileges of meeting prices to be reported to the adjuster, and no

action taken until his decision is received in writing or by telegram.

Item 9: Employés. Any member engaging an employé formerly in the employment of a member to make inquiry, at the time or immediately after, of the cause of such employé leaving his former employer.

Item 10: Strikes. During the progress of any strike, no member to hire anyone on strike without first communicating with his last employer or with the adjuster. If it is known that any one or more employes are to make an unfair demand in the way of wages or hours, information to be sent at once to the adjuster.

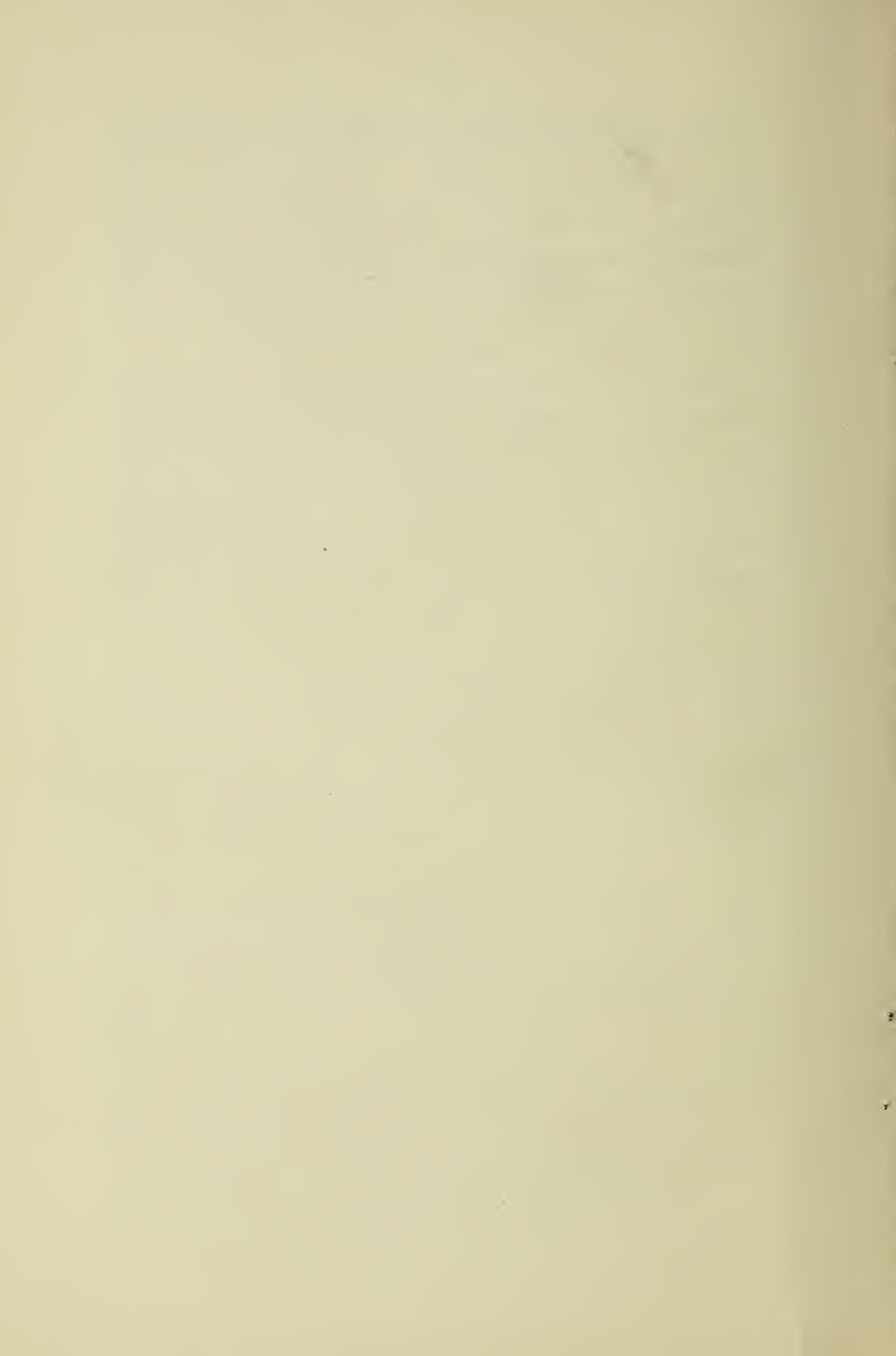
Item 11: Salesmen. In the event that any salesman for a member shows sustained irregularities as to prices, or any other deviation from general rules, such salesman—on report of adjuster to advisory board, and by order of such board—shall be asked by his employer to resign his position, and is not expected to make application for similar employment to any member of the club. No member to engage the services of a salesman whose case has been passed upon by the advisory board without the sanction of the adjuster.

Item 12: Replacing broken or imperfect lasts. All members to charge for replacing imperfect or broken lasts, except where, in the opinion of the last manufacturer, his work or material was imperfect when sent out.

Item 13: All members to furnish adjuster from time to time with names of customers who are proving unsatisfactory or unfair in their dealings and payments; adjuster to investigate and send general notification of cases which are substantiated by the experiences of other members.

Item 14: Press notices or information. No report or information concerning the affairs of the club to be given to any paper, daily or trade, except by the adjuster. Members are expected to keep in mind that all matters pertaining to the club are confidential, and in speaking of or about them to anyone outside our effectiveness as an organization is very apt to be weakened or jeopardized.

Item 15: Communication from any association. Should any member receive communication from their customers, either individually or as members of an association, no reply is to be made without conferring with other club members in the same section or division, and the reply, if any, made to the satisfaction of all.



In the District Court of the United States for the
Eastern District of Michigan, Southern Division.

UNITED STATES OF AMERICA	}	In Equity. No. ——. Final decree.
v.		
KRENTLER - ARNOLD HINGE		
Last Company and others.		

FINAL DECREE.

This cause coming on to be heard on this —— day of ——, 1913, before the Honorable Arthur J. Tuttle, district judge, and the petitioner having appeared by its district attorney, Clyde I. Webster, and by Malcolm A. Coles, its Special Assistant to the Attorney General, and having moved the court for an injunction in accordance with the prayer of its petition, and it appearing to the court that the allegations of the petition state a cause of action against the defendants under the provisions of the act of July 2, 1890, known as the antitrust act, that it has jurisdiction of the subject matter, and that the defendants have each either been regularly served or accepted service of process, and have appeared in open court by Clement R. Stickney, their counsel, and said defendants now by leave of the court having withdrawn their answers herein and stated in open court through their counsel that it is not their desire or

intention, nor the desire or intention of any or either of them to violate the provisions of the act above referred to, but stated that it is their desire and intention and the desire and intention of each of them to comply with each and all the provisions of the statutes of the United States referring to agreements, combinations, or conspiracies in restraint of trade, and that their previous action in the premises was in the full belief that it was not in violation of law, and that it is the desire and intention of them and each of them not to operate under or make or carry on any such contracts or practices as are condemned by said act of Congress as now construed by the court, and now consenting to the entering and rendition of this decree, now, therefore, it is accordingly by the court adjudged, ordered, and decreed as follows:

First. That so much of the 2nd section of that certain license agreement made by and between the Krentler-Arnold Hinge Last Company and each of its dated licensees, a copy whereof is set forth in the petition in this cause, as reads:

Second. The party of the second part, in lieu of, and as the equivalent of, a specific royalty or license fee, hereby agrees to buy of the party of the first part all the hinges and special parts used in the manufacture of said lasts and to use no other hinges and special parts therefor, and agrees to fit all hinged lasts manufactured by it with said hinges and special parts bought of the party of the first part, and not to manufacture any other hinged lasts; *and agrees to maintain the prices of all*

lasts sold by the licensee, strictly in accordance with the schedule or list of prices hereto attached, and forming a part of this license, the same schedule to be furnished to all licensees. The party of the first part consents, and it is hereby mutually agreed, that the licensees under this form of license shall choose (by majority ballot of all licensees present in person or by proxy, upon duly mailed ten days' notice, each licensee having one vote) an adjuster, who shall determine any and all special or general changes in said schedule or list of prices, but said changes shall first be approved by the licensor, and the referee chosen by the licensees shall at all times be acceptable to the licensor.

constitutes an agreement in restraint of interstate trade and commerce in violation of section 1 of the act of July 2, 1890, known as the antitrust act, in that it provides that the licensees of the said Krentler-Arnold Hinge Last Company shall maintain the prices of *all* lasts sold by them in accordance with the schedule of prices furnished by the licensor, and in that it attempts to regulate or fix the prices of unpatented lasts and parts and to maintain the prices of said unpatented lasts and parts in connection with and in relation to the prices fixed and maintained for patented lasts and parts manufactured and sold by said licensees; and said defendants and each of them are hereby jointly and severally restrained, enjoined, and forbidden from further observing or attempting to carry out in any respect said provisions of said agreement, and from hereafter agree-

ing or conspiring together in any way, either verbally or in writing, to fix and maintain, or from maintaining or observing an agreed price upon unpatented lasts, parts, or fittings.

Second. That sections 6 and 7 of the license agreement aforesaid made by and between the Krentler-Arnold Hinge Last Company and each and all of its licensees, the language of which sections is as follows:

Sixth. The party of the second part hereby covenants and agrees, as further consideration for this license, that it will in no way violate or contest the validity of the patents contained in the first-mentioned "schedule of patents," or of either of them, or any part thereof, at any time during the life of said patents *or any of them*, or question in any way the title of the party of the first part in and to said patents; and hereby expressly admits the validity and the sufficiency of the said letters patent, and of each of them. This license does not operate to revoke in any way the sixth paragraph (corresponding to this paragraph) of the preceding license agreement between the parties hereto.

Seventh. This license is personal to the party of the second part and to its employees, and in its said factory at Beverly, Mass., and not otherwise, and is nonassignable by said licensee; but in case the party of the first part should sell or transfer the business, or any part thereof, the party of the first part may assign this license or such part thereof; and it is revocable by the party of the first part upon sixty days' written notice, without,

however, relinquishment of any indebtedness of the licensee or claims of the licensor, or of any of the continuing covenants of the preceding paragraph; *otherwise it shall remain in force to the end of the term of the latest patent aforesaid.*

constitute agreements in restraint of interstate trade and commerce in violation of section 1 of the act of July 2, 1890, known as the antitrust act, in that they attempt to make the terms of said license agreement applicable to lasts or attachments thereto after the letters patent under which they are manufactured have expired; and the said defendants and each of them are hereby jointly and severally perpetually enjoined, restrained, and forbidden from carrying out or being bound by so much of said license agreement contained in said sections 6 and 7 thereof as attempts to extend the license agreements to lasts or attachments after the expiration of the patents under which they are manufactured, and said defendants and each of them are further hereby jointly and severally perpetually enjoined, restrained, and forbidden from hereafter agreeing or conspiring together to fix or maintain, and from maintaining or observing, an agreed price upon lasts or attachments thereto covered by any patent after such patent shall expire.

Third. That the organization and association of the licensees of the Krentler-Arnold Hinge Last Company, known as the Cary Club, described in the petition in this cause, was and is now a combination and conspiracy in direct restraint of interstate trade and com-

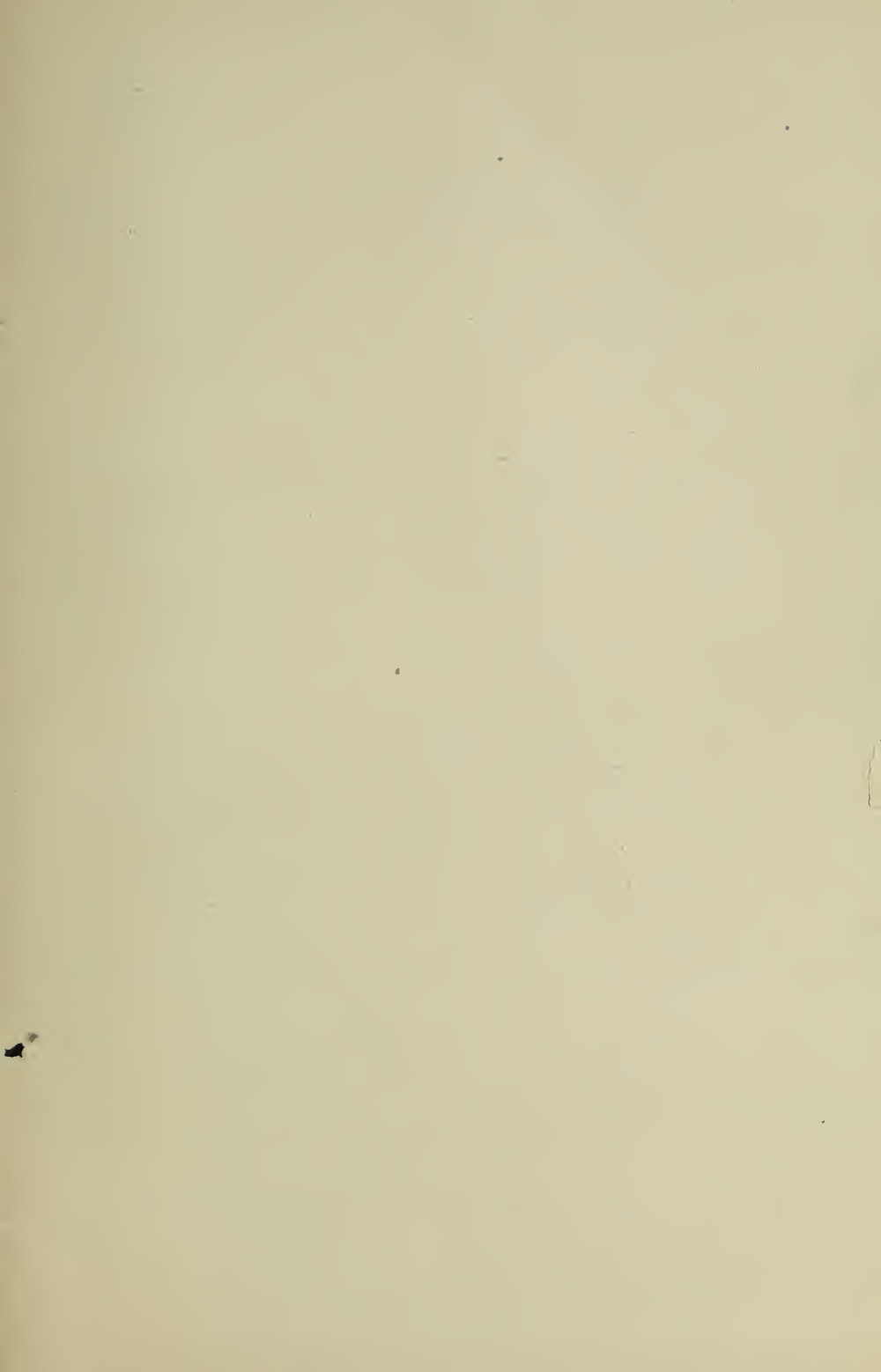
merce, in violation of the provisions of the said act of July 2, 1890, and the defendant licensees, and each of them, who now are members of said Cary Club, are hereby perpetually, jointly and severally, enjoined, restrained, and forbidden from further maintaining said organization and from participating therein, and from hereafter creating, maintaining, or participating, in any manner whatsoever, in any organization of like character.

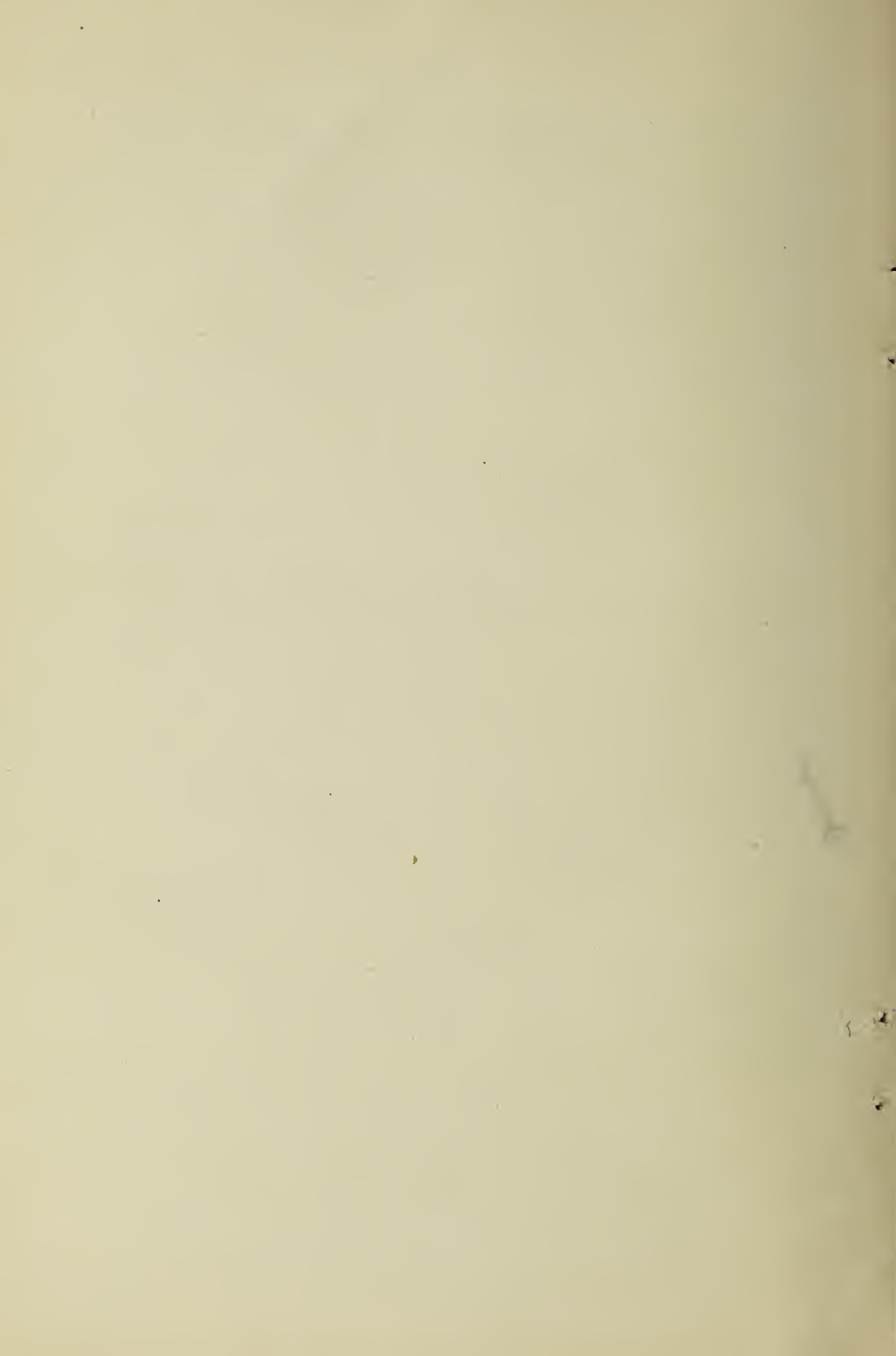
Fourth. It is further hereby adjudged, ordered, and decreed that the court retains jurisdiction of this cause for the purpose of enforcing the decree herein and also for the purpose of modifying any of its injunctive provisions upon the joint application of the Attorney General and the defendants.

Fifth. It is further adjudged, ordered, and decreed that the defendants be, and they hereby are, given a period of thirty days from and after the date of entry of this decree for compliance with the terms thereof.

Sixth. It is further hereby adjudged, ordered, and decreed that the defendants pay the costs of suit to be taxed.

ARTHUR J. TUTTLE,
United States District Judge.







3 0112 099028729

